

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04  
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04  
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01  
SIL-01 /101 W

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P R 091524Z FEB 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0453

INFO USMISSION EC BRUSSELS

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

USMISSION GENEVA

USDEL MTN GENEVA

C O N F I D E N T I A L LONDON 02297

PASS STR FOR SMITH

E.O. 11652: GDS

TAGS: ETRD, EPAP, EEC, UK

SUBJECT: UK POSITION ON MFA RENEWAL

REF: (A) LONDON 16933; (B) STATE 15613; (C) USEC 812

1. THE FOLLOWING BRIEF CURRENT ASSESSMENT IS PROVIDED  
TO ASSIST THE US TEXTILE TEAM IN PREPARING FOR THE  
FEBRUARY 16 SEVEN PLUS SEVEN MEETING AND PRIOR CONSULT-  
ATIONS IN LONDON AND BRUSSELS.

2. THE BRITISH CONTINUE TO VIEW THE PRESENT MFA AS  
CLEARLY INADEQUATE TO PROTECT ITS DECLINING TEXTILE  
INDUSTRY. WE SENSE THAT THE GOVERNMENT HAS DUG IN, AT  
LEAST FOR THE PRESENT, TO DEFEND ITS POSITION THAT  
SOMETHING MUST BE DONE IN THE WAY OF CHANGES OR  
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"REINTERPRETATIONS" THAT WILL EASE THE PRESSURE ON  
DOMESTIC TEXTILE MANUFACTURERS.

3. TO OUR KNOWLEDGE, THERE HAS BEEN NO TALK HERE,  
EITHER IN GOVERNMENT OR INDUSTRY CIRCLES, OF SEEKING TO  
HAVE THE EC OPT OUT OF A RENEWED MFA, AS HAS BEEN  
THREATENED IN CANADA. AND FROM OUR PERSPECTIVE,

MEYNELL'S REMARKS ABOUT "CERTAIN COUNTRIES" WANTING THE AGREEMENT TO COLLAPSE ARE OVERDONE, IF THE REFERENCE IS TO THE UK. HOWEVER, THE BRITISH STRONGLY AND SINCERELY FEEL THAT THEY HAVE SUFFERED DISPROPORTIONATELY MORE THAN ANY OTHER COUNTRY UNDER THE TERMS OF THE PRESENT AGREEMENT. THEY ARE FULLY AWARE OF THE STRENGTH OF OUR VIEWS ON AN EARLY AND SUBSTANTIALLY UNCHANGED RENEWAL, BUT THEY FEEL THEY HAVE A DOMESTIC POLITICAL REQUIREMENT TO BE ABLE TO POINT TO SOMETHING IN THE WAY OF RELIEF FOR THEIR INDUSTRY. WE HAVE BEEN TOLD THAT INSOFAR AS THE US CAN ACCEPT ANY CHANGES, THE UK IS FAIRLY FLEXIBLE ON THE FORM THAT SUCH CHANGES TAKE AS LONG AS THEY EASE THE PROBLEM TO SOME ACCEPTABLE DEGREE. THE PRIME MINISTER HAS NOT SPOKEN OUT PUBLICLY ON THE SPECIFIC ISSUE OF MFA RENEWAL, BUT OFFICIALS HERE SAY HE IS FULLY AWARE OF THE PROBLEM AND IS BASICALLY SYMPATHETIC TO THE PROTECTIONIST FEELING ON THIS ISSUE.

4. THE US TEXTILE NEGOTIATING TEAM IS CLOSER THAN US TO THE POINTS OF DIFFERENCE BETWEEN OURSELVES AND EC (AND THE UK) BUT WE WOULD NOTE THE FOLLOWING SUBSTANTIVE POINTS. (A) UK OFFICIALS CONTINUE TO STRESS THAT BRITAIN CANNOT LIVE WITH A SIX PERCENT GROWTH FACTOR IN A SITUATION IN WHICH THE ECONOMY IS GROWING AT TWO PERCENT OR LESS. THEY POINT TO THE NEAR RECORD UNEMPLOYMENT LEVELS IN THE ECONOMY AS A WHOLE IN THE TEXTILE INDUSTRY IN PARTICULAR, AND QUITE ACCURATELY ARGUE THERE IS LITTLE HOPE FOR IMPROVEMENT IN THE NEAR FUTURE. (B) OFFICIALS HERE SEEM TO HAVE GIVEN UP ON GETTING A RECESSION CLAUSE

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IN THE RENEWED MFA. AFTER FURTHER STUDY THEY FEEL IT WOULD BE TOO COMPLEX A MECHANISM. THEY SEEM TO FAVOR A SIMPLER GROWTH RATE FORMULA FOR EXPORTERS THAT WOULD, FOR EXAMPLE, REDUCE ALLOWABLE AMOUNTS FROM HONG KONG AND GIVE THE DIFFERENCE TO SMALLER PRODUCERS. (C) UK OFFICIALS CONTINUE TO MENTION, AT LEAST FOR THE RECORD, THEIR DESIRE TO SEE A GLOBAL QUOTA FOR EXPORTERS UNDER A RENEWED MFA. (D) UK OFFICIALS AND BUSINESS AND LABOR LEADERS TEND TO BLAME THE MFA FOR PROBLEMS THAT DERIVE FROM THE COMMUNITY: THEY COMPLAIN ABOUT THE SHARING OUT OF BURDEN OF IMPORTS AMONG MEMBER STATES, AND ABOUT GROWTH IN IMPORTS OF ITEMS NOT COVERED BY THE EC'S NON-COMPREHENSIVE BILATERALS.

5. TACTICALLY, THE UK FEELS TIME IS ON ITS SIDE, THAT LENGTHENING THE TIMETABLE FOR MFA CONSIDERATION IS AN ADVANTAGE THAT SHOULD BE USED. BRITISH OFFICIALS BELIEVE THE FLOW OF OPINION WITHIN THE COMMUNITY IS MOVING TOWARD A STRENGTHENING OF THEIR POSITION. WE

RECENTLY HEARD AN OFFICIAL SAY " THE FRENCH HAVE COME OUT FROM BEHIND OUR SKIRTS, THE DUTCH HAVE MOVED OVER TO OUR SIDE -- GERMAN IS BEING ISOLATED."

6. WE AGREE WITH USEC'S VIEW THAT WE SHOULD CONTINUE TO HOLD OFF PRESSURING THE UK AND OTHER MEMBER STATES UNTIL THE SITUATION BECOMES SOMEWHAT CLEARER. EVEN AT A LATER TIME, HOWEVER, IT WILL BE DIFFICULT TO MOVE THE BRITISH TOWARDS AN EC COMPROMISE ON THIS ISSUE. IN ADDITION TO THE OBSTACLES SKETCHED OUT ABOVE, UK OFFICIALS DON'T TRUST MEYNELL. FROM AN EARLY POINT IN THE RENEWAL DISCUSSIONS IT HAS BEEN CLEAR THAT THE BRITISH FELT THE "FIX WAS ON" IN BRUSSELS BETWEEN THE COMMISSION AND THE US TO END UP WITH A RENEWED AGREEMENT THAT DID LITTLE OR NOTHING TO HELP THE BRITISH OUT OF THEIR PROBLEM.

7. IN SHORT, THE BRITISH ARE NOT COMMITTED TO ANY  
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SPECIFIC FORM OF SOLUTION, BUT THEY SHOW NO SIGNS OF SOFTENING THEIR VIEW THAT SOME FORMULA MUST BE FOUND WHICH REDUCES THE VOLUME OF IMPORTS THEY ABSORB. THEY BELIEVE TIME IS ON THEIR SIDE AND TALK OF NO ED MANDATE EMERGING UNTIL THE SECOND HALF OF MARCH AT THE EARLIEST. THEY SAY THEY DON'T WANT TO LET THE MFA ISSUE SPILL OVER IN A NEGATIVE WAY ON THE MTN, BUT IT SHOULD BE KEPT IN MIND THAT THE BRITISH COMMITMENT TO TRADE LIBERALIZATION HAS WEAKENED DURING THE PAST YEAR AS THEY HAVE SOUGHT WAYS TO DEFEND THEIR NON-COMPETITIVE INDUSTRIES.  
ARMSTRONG

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## Message Attributes

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